2002 *Annual Report*

Andrés Wines Ltd.

A Simple Truth

Corporate Profile

Andrés Wines Ltd. is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan Valley and vineyards around the world.

The Company's award-winning premium Peller Estates, Hillebrand Estates and Trius brands complement its popular-priced products including Hochtaler, Domaine D'Or, Franciscan and Similkameen. With a focus on serving the needs of all wine consumers, the Company also produces and markets wine kit products through Brew King and Vineco International Products.

The Company owns Vineyards/The Wine Shoppe, an independent wine retailer in Ontario with more than 100 stores. Andrés' common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).

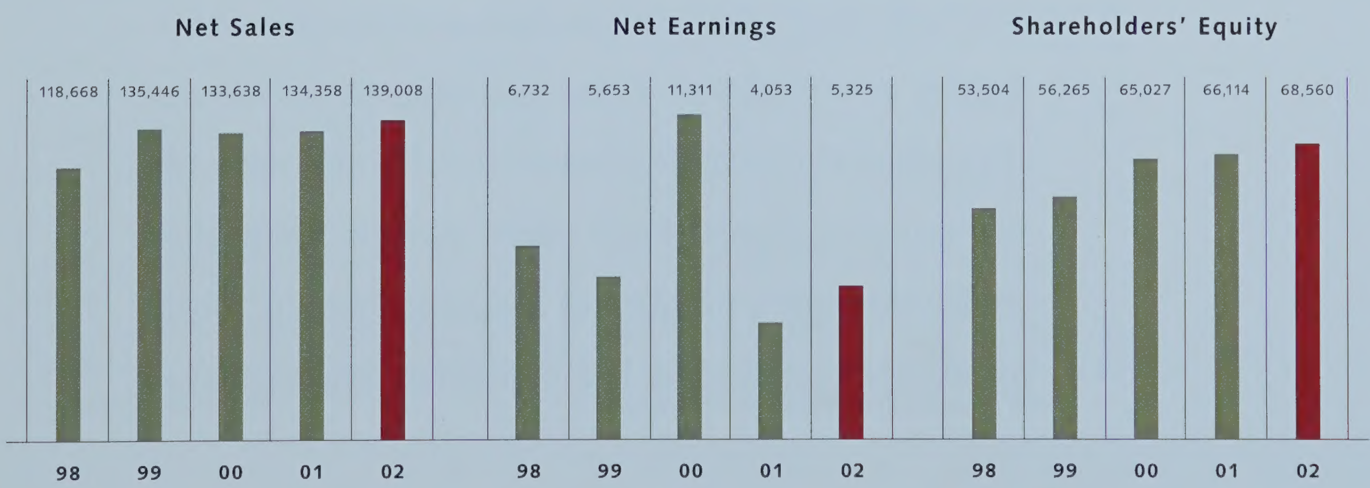
Contents

Financial and Operating

Highlights

For the years ended March 31 (in thousands of dollars except per share amounts)	**2002**	2001
Sales and earnings		
Net sales	**$ 139,008**	$ 134,358
Earnings before interest, income taxes and unusual items	**11,673**	10,168
Net earnings	**5,325**	4,053[1]
Financial position		
Working capital	**$ 24,622**	$ 14,750
Total assets	**133,300**	132,967
Shareholders' equity	**68,560**	66,114
Per share		
Net earnings per Class A share		
Basic	**$ 1.16**	$ 0.88[1]
Diluted	**1.01**	0.77[1]
Dividends		
Class A shares, non-voting	**$ 0.644**	$ 0.644
Class B shares, voting	**0.560**	0.560
Shareholders' equity	**$ 14.45**	$ 13.96
Market value		
Class A – high	**$ 17.25**	$ 14.00
– low	**16.50**	10.00
Class B – high	**18.50**	12.85
– low	**18.00**	9.75
Analytical information		
Return on average shareholders' equity	**7.9%**	7.0%
Return on average capital employed	**10.3%**	9.2%
Ratio of current assets to current liabilities	**1.7:1**	1.3:1

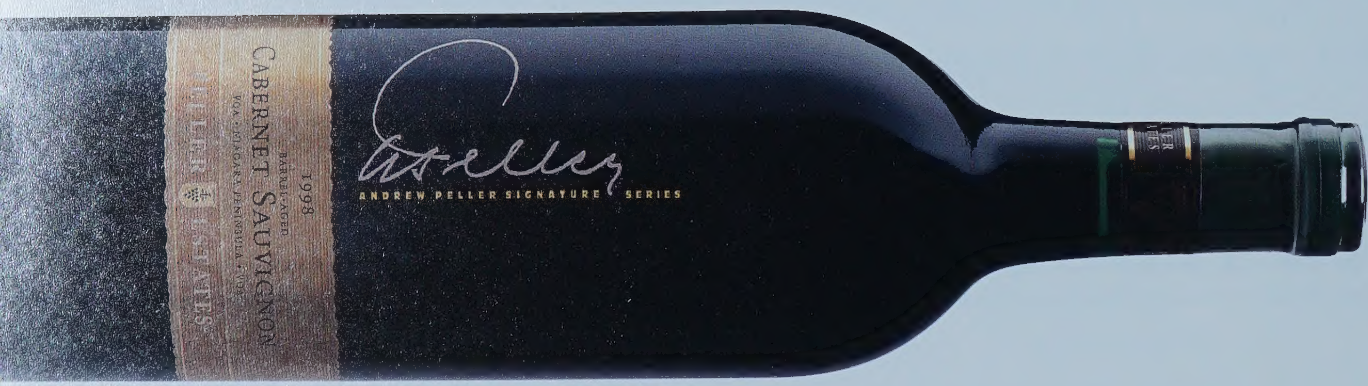
(1) Includes the pre-tax loss of $1.025 million on the settlement of a lawsuit for the co-packing of flavoured water in 1993.



Report to

Shareholders

Realizing our family's vision



The past fiscal year was another positive period for Andrés as we enhanced our operating performance, strengthened our trade channel distribution network and further supported our future growth and profitability through a number of accomplishments, both internally and within the Canadian marketplace.

A POSITIVE YEAR

Our success over the past few years is the result of our ongoing commitment to producing the highest-quality wines, and ensuring that our growing reputation and recognition are supported by a rigorous focus on building and sustaining a strong presence in our many distribution channels. Our positive financial performance in fiscal 2002 indicates that our strategies are working.

Sales for the year rose by 3.4% to $139 million as our estate wineries, Vineyards/The Wine Shoppe retail network, export and licensee sales and consumer-made products all generated strong results. More importantly, our continuing focus on our higher-margin premium and ultra-premium Hillebrand Estates, Peller Estates and Trius brand portfolios produced improved profitability as our pre-tax earnings, before unusual items, rose by approximately 18%.

The positive performance in fiscal 2002 also resulted in continued strength in our balance sheet and financial position, providing us with the resources and the flexibility to capitalize on opportunities and to support our future growth. Working capital increased, while our ratio of debt to equity remained at conservative levels despite significant investments in our vineyards, wineries and winemaking equipment. Cash flow from operations was also positive for the year.

OUR ACHIEVEMENTS SUPPORT A PROMISING FUTURE

A number of major initiatives completed during the year resulted in our improved performance in 2002 and positioned us for continued growth and enhanced profitability going forward:

- Our focus on reducing our costs and increasing production efficiencies generated year-over-year growth in gross margin for each consecutive quarter in fiscal 2002. Going forward, we anticipate continued improvements in profitability.

- We restructured our management team to focus on our customers and our extensive trade channels, including our strong presence in licensed establishments and provincial liquor stores, our broad and well-located retail store network and our prestigious estate wineries.

- In keeping with our focus on our higher-margin premium and ultra-premium brands, we rationalized our lower-priced popular brand portfolio in a number of markets and trade channels.

- On March 29, 2002, we transferred production from Alberta to our British Columbia facility, a move that will generate additional cost savings and production efficiencies going forward.

- Investments during the year focused on enhancing wine quality and brand development that will build on the character and recognition of our products – wines that stand with the best produced anywhere in the world.

A DECADE OF SIGNIFICANT GROWTH

The strong performance in fiscal 2002 capped ten years of significant growth for Andrés. Sales over the past decade have risen at a compound annual rate of 15%, strong performance for any consumer products company. Approximately half of this sales increase was the result of our innovative sales and marketing programs and increased market penetration through our distribution channels. Acquisitions accounted for the balance of our sales growth, with the purchase of Hillebrand Estates in 1993 and our two consumer-made wine businesses, Vineco International Products and Brew King, in 1996 and 1997 respectively. We are extremely proud of this performance, a track record that clearly demonstrates our ability to generate growth, both internally and through strategic acquisitions that expand our product portfolio and market presence. We will leverage this extensive experience and management depth to build our business in the years ahead.

Estate Wines

AT ANDRÉS WE HAVE DEVELOPED two of the finest estate wineries in Niagara, Canada's leading wine-producing region.

Hillebrand Estates, Canada's leading producer of VQA wines, provides wine lovers with a rare opportunity to experience the art, craft and passion of wine and wine country. In addition to sampling our premium wines, you are invited to walk among the vines, visit our cellars, browse rare and special vintages in our boutique and enjoy spectacular regional cuisine at our Vineyard Café.

Peller Estates, the newest addition to our Estate Wines Group, is the culmination of three generations of winemaking excellence and the beginning of Andrés' commitment to leadership in the production of world-class, super-premium red wines. From our underground barrel-aging cellar to our lush vineyards, a visit to Peller Estates will clearly demonstrate that no detail has been overlooked in our pursuit of winemaking excellence.

WineCountry at Home

You choose the wine, we'll take care of the rest

ANDRÉS IS PLEASED TO INTRODUCE WineCountry at Home to readers of this year's Annual Report. As an important component of our comprehensive trade channel network, WineCountry at Home offers Ontario consumers the opportunity to order our award-winning Hillebrand Estates, Trius and Peller Estates VQA wines by phone or over the Internet for delivery to their home or office.

As a celebration of our fortieth anniversary, we have assembled a special offering of fine wines for our shareholders and friends at a reduced price. In addition, to encourage you to try our WineCountry at Home service, we have included in this special pricing free delivery anywhere in Ontario.

To purchase any of the following Collections, please call the number below or e-mail us your order (other wines are also available by visiting www.winecountryathome.com).

Hillebrand Estates Six Bottle Collection
Three red and three white vintages from Canada's leading VQA winery.
Total value – $122.05
Special offer* – $99.00 delivery included

Peller Estates Six Bottle Collection
Three bottles each of Peller Estates' award-winning red and white VQA wines.
Total value – $139.60
Special offer* – $119.00 delivery included

Hillebrand Estates Twelve Bottle Chardonnay Collection
A superb offering of the best of Ontario's VQA Chardonnays.
Total value – $301.75
Special offer* – $280.00 delivery included

Peller Estates Twelve Bottle Red Collection
A dozen bottles from Canada's leading producer of ultra-premium VQA red wines.
Total value – $341.50
Special offer* – $300.00 delivery included

To order, please call 1-800-263-8465
or
e-mail to byrequest@winecountryathome.com

No minimums.
All orders guaranteed.
Delivery anywhere in Ontario.
Recipient must be 19 years of age or older.
*Offer valid until September 20, 2002.

Three Generations of Excellence

At an age when most people are planning their retirement, Andrew Peller was planting the roots of a dream that would eventually be passed along and realized by his son Joe, and later by his grandson John. The realization of that dream is Peller Estates Winery.

PELLER ESTATES

Peller Estates Winery in Niagara-on-the-Lake combines traditional winemaking techniques with innovative new technologies to produce super-premium, single-varietal red wines that stand beside the best in the world. The 25 acres of vineyards surrounding the winery feature *Vitis vinifera* root-stock, including varietals such as Cabernet Sauvignon, Cabernet Franc and Merlot. Winemakers Rob Summers and Jamie Macfarlane utilize the 5,000-square-foot barrel room and the 5,000-square-foot press house with a capacity of 1,000 barrels and 60,000 bottles between them. In keeping with John Peller's goal that "our red wines will be the best made in the region," winemaking and viticulture are approached with an unwavering philosophy: quality will always take priority over quantity.

A Conversation with **Linda Franklin**

PRESIDENT OF THE WINE COUNCIL OF ONTARIO

What is the current state of the Ontario wine industry?
The Ontario wine industry is gaining real momentum. Significant investments in vineyards, wineries and brand development over the past decade have transformed the industry into a highly competitive business that stands with the best in the world. Ontario consumers are now recognizing the quality and character of our wines and realizing the positive impact the industry has on our economy. Ontario wines have won prestigious awards in numerous international competitions, gaining widespread recognition around the world for the complete spectrum of our quality wines.

What is your vision for the future?
Currently, Ontario wines capture approximately 42% of the domestic market. However, when you realize that domestic wines constitute 95% of the French market, and 90% of all wine consumed in Australia and Italy is produced at home, you realize there is a huge opportunity to expand our share of the Ontario market. We have recently completed a comprehensive strategic plan that envisions Ontario wines growing to 50% of the market within five years, and sales increasing from $375 million in 2001 to over $1.5 billion by 2020. To achieve these goals, vineyard production will need to double, new wines must be developed, and the number of tourists visiting our wineries will quadruple. All of this will be extremely positive for the Ontario economy.

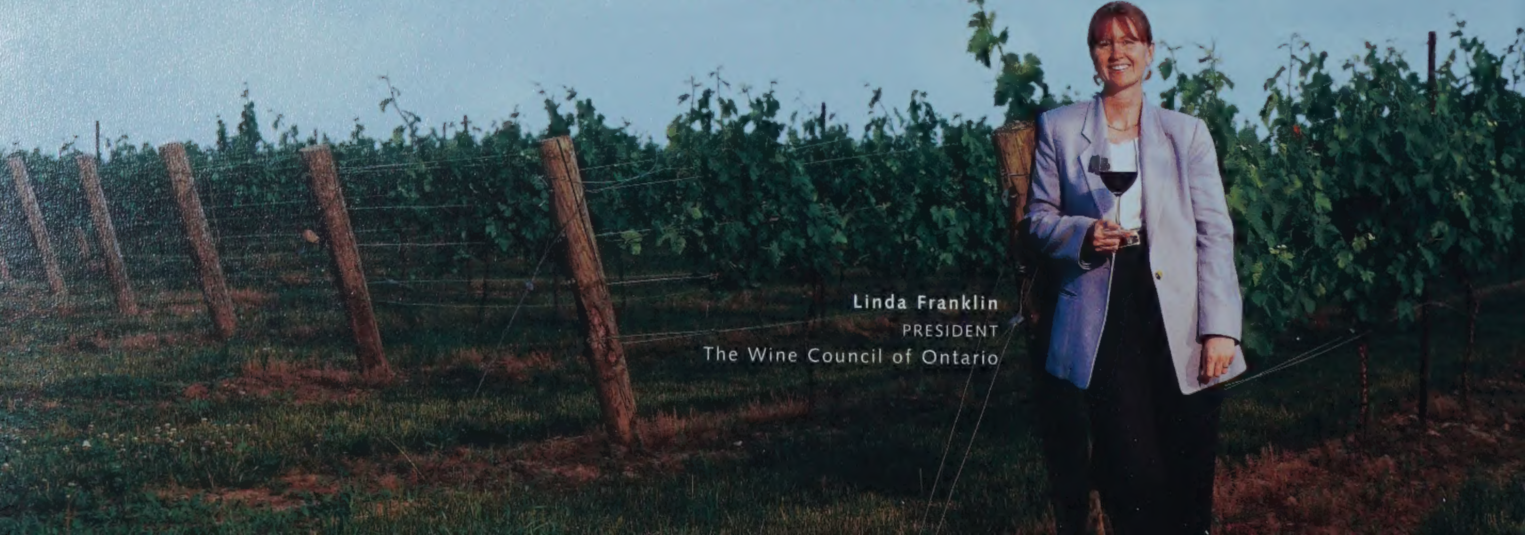
What challenges does the industry face?
Ontario remains one of the most competitive wine markets in the world, and a top destination for wine exports from every major wine-producing country. Today, most of these regions – including California, Australia, Europe and South America – are experiencing significant grape surpluses, and because their domestic wineries own most of their home market, they have a need to access our market more than in the past. However, in this highly competitive environment consumers continue to increase their purchases of Ontario wines, recognizing their exceptional quality, character and value. As the industry moves forward, the Ontario government has pledged significant new support, realizing the strong contribution the Ontario wine industry makes to the economy. In addition, the industry's anticipated growth will preserve our agricultural land for the benefit of future generations.

How will the industry realize this vision of the future?
We will secure this prosperous future by focusing on the same objectives that have already brought the industry so much success. We will pursue excellence in premium quality wines, capitalizing on this growing international trend. Our growers will concentrate on those high-end varietal grapes that best suit Ontario's soils and microclimates to produce wines that meet the high expectations of wine enthusiasts. We will continue to invest in the VQA brand, a standard for superior quality, consistency, value and convenience of purchase. Wine tourism will be nurtured, while Ontario wines will be more broadly available and promoted through the LCBO, restaurants and various export channels. Finally, we will forge partnerships between all participants in the industry to ensure our common goals are met.

For more information about the Ontario wine industry, please visit our website at: **www.wineroute.com**

Ontario Wine Industry

Poised for Greatness



Linda Franklin
PRESIDENT
The Wine Council of Ontario

OUR ESTATE WINERIES PERFORMED WELL

Our prestigious estate wineries and their brand portfolios performed extremely well in 2002.

Hillebrand Estates remains Canada's leading producer of premium Vintners Quality Alliance (VQA) wines. Located in the heart of Ontario's wine region near Niagara-on-the-Lake, Hillebrand offers wine lovers a rare opportunity to experience the art, craft and passion of wine and wine country. Thousands of visitors each year sample our fine wines, walk among the vineyards, tour our cellars and shop for rare and special vintages in our wine boutique. The Vineyard Café also offers spectacular vineyard views married with our wines and an inventive approach to regional cuisine under the careful watch of Chef Tony de Luca.

Hillebrand's winemaker, Jean-Laurent Groux, continues the tradition of creating unique and high-quality wines by bringing together our state-of-the-art winemaking equipment and barrel-aging facilities with a regional microclimate superbly suited to growing grapes. This significant winemaking heritage has produced a portfolio of brands that respect the classic character of each grape variety grown in the region, including the Trius Collection, the Showcase Collection, Vineyard Select, The Collectors' Choice and the Harvest Collection.

Peller Estates, nestled within the town of Niagara-on-the-Lake, is our newest estate winery, and the culmination of three generations of winemaking excellence. Extensive views of the beautiful Niagara Escarpment capture the spirit of the Peller Estates experience, accentuated by tours, tastings and the opportunity to purchase award-winning vintages available exclusively at our wine boutique. Fine dining in a relaxed atmosphere is also available at the Peller Estates Winery Restaurant through the creative talents of Chef de Cuisine Jason Rosso.

Peller Estates is the beginning of Andrés' commitment to leadership in the production of world-class, super-premium red varietal wines. Winemakers Rob Summers and Jamie Macfarlane share the Peller family's vision that great wines are made in the vineyard. Viticultural practices such as careful vineyard selection, lower yields to maximize harvest quality, and optimum canopy management are adhered to. The winery then adopts a meticulous approach to winemaking that uses small batches, minimum handling and extensive barrel aging to create distinctive wines with structure, complexity and true character. The result is a portfolio of fine wines that include the Andrew Peller Signature Series, the Private Reserve Series, the Vineyard Series, the Founder's Series and the recently launched Heritage Series.

Sales in 2002 increased at both Hillebrand Estates and Peller Estates, while overall revenues from our VQA products rose 11% compared to last year. The number of visitors to both wineries increased over fiscal 2001 despite the tragic events of September 11, as tourists in the region were attracted to what has become Canada's most popular destination for wine lovers. During the year we also continued to invest in the quality and production capability of our prestigious estate brands, while numerous initiatives through our various trade channels further broadened the awareness and recognition for all of our products.

OUR STRONG DISTRIBUTION CHANNELS ARE A KEY TO OUR SUCCESS

Once again in fiscal 2002, Andrés leveraged the excellent performance of its estate wineries with solid growth through its other trade channels, a testament to the efforts and resources that have been invested over the past few years in promoting our brands and building strong relationships and identification with our customers and consumers.

Our network of more than 100 Vineyards/ The Wine Shoppe retail locations generated another positive year in 2002 as consumers continued to favour our convenient locations, personalized attention, full range of award-winning wines and value-added services. The newest addition to our retail network, Wine Country Vintners, had an excellent first year of operation and extended our presence in the premium wine market.

Vineyards/ The Wine Shoppe

Throughout Ontario, more than 100 well-situated Vineyards/The Wine Shoppe retail locations have become the destination of choice for consumers.

Consumer-made Wines

Over the past ten years, the growth in popularity of consumer-made wines has been significant, driven by dramatic improvements in quality.

With more than 900 dealers and fifteen strongly-branded products, **Brew King** and **Vineco International Products** have grown to become two of Canada's largest providers of premium wine kits and supplies to the Canadian market.

We also continued to build strong and enduring relationships with an extensive list of national and local restaurants, hotels, clubs and other licensed establishments. Investments in training, education and our highly successful direct delivery program resulted in increased sales of our VQA products through this channel, and more importantly strengthened our strong brand recognition and consumer loyalty.

Our export sales also progressed over the past year, led by the strong performance of our Hillebrand Estates and Peller Estates icewines. Andrés was a pioneer in the development of this world-class product, and is capitalizing on the growing reputation for this unique wine by introducing other brands into the US, UK and Pacific Rim markets. Our presence in duty-free stores, Canadian embassies and major airlines has led to our wines now being sold in more than twenty countries around the world.

Andrés has also embraced innovative new distribution channels as both our WineCountry at Home and Wine Country by Request programs experienced significant growth. Through these important initiatives, consumers can now order our quality VQA products over the Internet or by telephone for delivery to their homes or offices. The ease and convenience of this service is attracting an increasing number of wine enthusiasts to our web portals every month. Included in this report is a unique offering for our shareholders, and we hope you will take advantage of this special pricing and free delivery to experience the superior quality and character of our products.

Sales to provincial liquor boards also increased in most regions in 2002. However, the Canadian wine industry continues to face significant challenges in Ontario, the country's largest wine market, as the LCBO remains among the world's largest purchasers of imported wines. Many of these imported products enjoy substantial trade, agricultural and marketing subsidies that are unmatched here at home, and despite a renewed commitment by governments to support the Ontario wine industry, we are currently

The Passion of Wine Country

At Hillebrand Estates, we are proud of the unique geography and climate of the Niagara Peninsula and work closely with local growers to produce wines with a "regional taste."

It takes many things to make great wine – it begins with the right vineyards planted in proper soil in a suitable microclimate. It requires a grower who is able to prune judiciously and consider not only the quality of the grapes he is growing, but the quality of the wine they will make.

It takes a viticulturalist who can guide the growers through the season and determine with the winemaker when the grapes are at the perfect moment of maturity.

It takes a winemaker who knows each barrel of wine so well he can tell you about the unique aromas and flavours of each. It takes a winery with state-of-the-art equipment that gives the winemaker the best tools with which to work.

The winemaker will say that the wine is made in the vineyard, the grower will say that the winemaker does all the work, while everyone respects Mother Nature's role.

Hillebrand

Antonio de Luca
CHEF DE CUISINE
Hillebrand Vineyard Café

J-L Groux
SENIOR WINEMAKER
Hillebrand Estates

10 Trius
ten years later

Its name was its inspiration: a classic, Bordeaux-style red wine made from the world's three most noble grapes - Cabernet Sauvignon, Cabernet Franc and Merlot.

Trius first broke onto the world stage with the landmark '91 vintage at the prestigious International Wine and Spirits Competition in London in 1995. Here, the '91 Trius Red took home not only a Gold in its class, but the Pichon Longueville Comtesse de Lalande trophy for the best red wine in the entire competition. It remains the highest honour ever awarded to any Canadian wine in international competition.

Our Trius winemaker has allowed the climate to exert a strong influence on the finest flavours from the grapes, resulting in a collection that delivers the full potential of the Niagara region.

not competing on a level playing field. Andrés, along with other Canadian producers and grape growers, is working closely with various levels of government to ensure our wines can compete fairly with these imported products.

OUR POPULAR-PRICED BRANDS SUPPORT OUR PREMIUM STRATEGY

While our primary focus remains on our premium and ultra-premium brands, Andrés continues to produce many of the best-selling popular-priced wines in Canada. Hochtaler and Domaine D'Or remain among the top ten white wines in the country, while our portfolio of sparkling wines offers significant value at a number of price points. Our imported wines from California, Chile and Australia have also built a strong reputation.

In keeping with our efforts to increase sales of our higher-margin premium and ultra-premium estate brands, we rationalized a number of offerings through our retail stores and provincial liquor boards during fiscal 2002. These initiatives allowed increased shelf space to be devoted to our premium VQA brands, enhanced our margins and reduced inventory and other costs.

OUR CONSUMER-MADE WINES ARE GROWING IN POPULARITY

With the purchase of Vineco International and Brew King, Andrés established itself as the leading supplier to the growing Canadian consumer-made wine industry. During the year, further advances in wine kit technology enhanced the quality of our products and led to increased sales and market share. New packaging formats and point-of-sale displays were introduced in 2002 throughout our network of over 900 dealers, while the launch of our super-premium wine kits generated significant interest and enhanced our already strong reputation with wine hobbyists across the country. In addition, we continued to introduce our products into new markets around the world through our aggressive export programs.

OUR VALUE-ENHANCING STRATEGIES ARE WORKING

Looking ahead, the market for wine has never been stronger, driven by increasing consumer sophistication, the availability of a wide choice of quality wines from around the world, and recognition of the significant health benefits of red wine. Andrés will continue to capitalize on this trend by executing the same strategies that have generated so much success in the past.

We will maintain our pace of investing in the quality of our wines and in the development of our brands through innovative sales and marketing programs. The emphasis on key trade channels will build our market presence and consumer awareness of our products. Our Vineyards/The Wine Shoppes remain the destination of choice for wine lovers seeking the quality, selection and high level of service that have become hallmarks of our retail network. Increasing attention to licensees across Canada has generated significant increases in sales, supported by our direct delivery program and investments in training and educating the staff at locations that serve our VQA products. Finally, our investments in agri-tourism through our Peller Estates and Hillebrand Estates wineries are attracting an increasing number of wine lovers every year, once again building our presence in the burgeoning Canadian wine market.

FORTY YEARS IN BUSINESS PROVIDES A SOLID BASE FOR GROWTH

Forty years ago Andrew Peller opened his first winery in British Columbia's Okanagan Valley. Four decades later, his dream of building a growing and vibrant business based on producing the highest-quality estate-bottled premium wines was celebrated with the opening of the Peller Estates winery, a true testament to all that he achieved in his lifetime. Going forward, we will continue to embrace this vision, with a mission to provide our customers and consumers with wines of the highest quality and best value while delivering to our shareholders steady operating and financial performance and a consistent stream of dividends.

Quality domestic and imported brands

In addition to its estate-bottled premium and ultra-premium Hillebrand Estates and Peller Estates wines, Andrés produces and markets a number of other leading products for the Canadian wine consumer.

Icewine

The rarest and most treasured of Ontario's wines

ICEWINE IS PRODUCED from the juice of grapes naturally frozen on the vine, and is treasured the world over for its intensely sweet, concentrated flavours and rich amber colour. Both Hillebrand Estates and Peller Estates are internationally recognized for the character and uniqueness of their icewines, brands that are among Canada's most popular wine exports.

Where did icewine originate?

The first icewine was produced in Franconia, Germany in 1794. Today, Canada is recognized as the largest producer of highest-quality icewine, with the majority coming from Ontario's Niagara Peninsula region. As the first Niagara winery to produce icewine, Hillebrand Estates is a true pioneer, and the only Canadian winery to offer an icewine vintage every year since 1983.

Why "icewine"?

To make our award-winning icewine, we leave the grapes on the vines long after the first frost, to be hand-picked when the temperature drops below –9°C for three consecutive nights. Originally Vidal grapes were used because their thick skin and strong stem made them a superior choice to mature and survive until the optimum harvesting periods. Now, because of their variety and complexity, increased attention is being given to icewines made from Reisling, Cabernet Franc and Pinot Noir grapes.

How is it produced?

The production of icewine is an extremely labour-intensive process. The grapes are hand-picked during the months of December and January, usually in the middle of the night. They are then sorted and immediately pressed while still frozen, leaving shards of ice behind and resulting in a highly concentrated and intensely sweet juice. These juices are then fermented for several weeks, followed by several months of aging to allow for the softening of tannins that would otherwise seem harsh when paired with the high level of acidity found in icewine.

What are the characteristics of icewine?

Icewine is a deep amber, almost golden colour, with a bouquet that is a blend of exotic fruits and fragrances holding highly intense flavours. Characteristics include tastes of apricot, followed by luscious peaches, then an incredibly long finish of ripe mango and honeydew melon. Traditionally, icewine is served chilled in a small glass as a dessert wine at the end of a meal, savoured much like a fine liqueur.

Hillebrand Estates and **Peller Estates** icewines are available at each winery location, through home delivery from **WineCountry at Home**, at select provincial liquor stores, and at the many convenient **Vineyards/ The Wine Shoppe** locations throughout Ontario.

A SIMPLE TRUTH

Our business and our vision were founded on the simple truth that wine is an excellent metaphor for the quality of life. It was Andrew Peller's belief that wine would become a major component of the Canadian lifestyle as consumers paired and appreciated food and wine together in a very special way. We continue to believe that the crafting of our premium and ultra-premium wines is more than just producing what have become some of the best vintages in the world – it is a commitment to wine culture and wine life – and we will maintain this vision in all that we do.

In closing, we would like to thank our grape growing partners for their support through the challenging times recently experienced by the industry. Most importantly, we are extremely grateful to everyone at Andrés for their hard work and commitment over the past year, and for their significant contribution over the past four decades in transforming Andy's vision into reality. Today, our wines stand with the best produced anywhere in the world, and we are very excited about our future, and that of the Canadian wine industry.

John E. Peller
PRESIDENT AND CEO

Joseph A. Peller
CHAIRMAN

Management's Discussion and Analysis

Introduction

Andrés Wines Ltd. ("Andrés" or "the Company") is a producer and marketer of quality wines and wine products, with winery operations in Nova Scotia, Ontario and British Columbia and vineyards in Ontario's Niagara Peninsula and British Columbia's Okanagan Valley. Andrés produces award-winning wines under the Peller Estates, Hillebrand Estates, Trius and other brands.

The following management discussion and analysis provides a review of corporate and market developments and the results of operations and financial position for the year ended March 31, 2002 ("2002") in comparison with those for the year ended March 31, 2001 ("2001"). This discussion should be read in conjunction with the consolidated financial statements and the accompanying notes contained therein.

Overview

Andrés capitalized on another year of strong growth in the demand for Canadian-made premium wines as its ongoing focus on increasing sales of its higher-priced and higher-margin premium and ultra-premium Peller Estates, Trius and Hillebrand Estates brands resulted in increased profitability throughout fiscal 2002.

For the year ended March 31, 2002, consumption of wine in English Canada (defined as the total Canadian market not including Quebec, where the Company does not participate, and not including the refreshment wine category) rose by approximately 4.7%, with imported products representing the majority of this growth and accounting for 61.3% of total sales in the period. Canadian-made wines experienced a slight decline in market share, falling to 38.7% of total Canadian wine sales from 39.0% last year. Canada remains one of the top destinations for exports from every major wine-producing country in the world, resulting in a 33% increase in foreign wine sales in Canada over the past decade.

Over the past 10 years, Andrés has taken decisive steps to increase its focus on the premium and ultra-premium segment of the Canadian wine market and as a result has rationalized its lower-priced, lower-margin popular brand portfolio in a number of markets and distribution channels. Due primarily to this product rationalization, Andrés' sales on a volume basis in fiscal 2002 increased by 1.5% compared to the prior year. However, in dollar terms, sales rose by 3.5% in fiscal 2002 compared to last year, due primarily to the growth in sales of its higher-priced and higher-margin premium and ultra-premium brands. As a result of the continued growth in sales of imported products and the rationalization of the Company's product lines, Andrés' share of the total Canadian market fell slightly to 11.7% in fiscal 2002 compared to 12.0% last year.

The Vintners Quality Alliance ("VQA"), established in 1989, has become recognized throughout the world as the appellation system for Canadian wines that meet strict standards of excellence. Andrés' sales of its VQA wines rose by 11.6% in fiscal 2002.

Red table wines continued to grow in popularity in fiscal 2002, with total Canadian sales rising 9.7% over the prior year. Andrés essentially matched this growth with a 9.1% increase in sales of red table wine. Sales of white table wines in Canada rose by 2.9% in fiscal 2002, while Andrés' sales of white table wine were up marginally from last year.

Andrés produces a number of award-winning products for the growing consumer-made wine business. While statistics on the sales of wine kits are not available, Andrés believes the growth in sales of its Vineco International and Brew King products exceeded the increase in the overall Canadian consumer-made wine industry in fiscal 2002.

Results of Operations

(in thousands of dollars except per share amounts) Year ended March 31	**2002**	2001
Sales	**$ 139,008**	$ 134,358
Gross profit	**53,179**	49,030
Gross profit (% of sales)	**38.3%**	36.5%
Selling and administrative expenses	**37,481**	34,709
Earnings before interest, taxes, amortization (EBITA) and unusual items	**15,698**	14,321
Unusual items	**(261)**	(1,025)
Net earnings	**5,325**	4,053
Net earnings per share – basic – Class A	**$ 1.16**	$ 0.88
Net earnings per share – basic – Class B	**1.01**	0.77

Quarterly

Fiscal 2002 (in thousands of dollars except per share amounts)	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Sales	**$ 32,461**	**$ 33,811**	**$ 40,566**	**$ 32,170**
Gross profit	**12,340**	**12,639**	**16,058**	**12,142**
Gross profit (% of sales)	**38.0%**	**37.4%**	**39.6%**	**37.7%**
EBITA (before unusual items)	**3,549**	**2,877**	**6,578**	**2,694**
Unusual items	**1,505**	**–**	**–**	**(1,766)**
Net earnings (loss)	**2,363**	**863**	**2,846**	**(747)**
Net earnings (loss) per share – basic – Class A	**$ 0.51**	**$ 0.19**	**$ 0.62**	**$ (0.16)**
Net earnings (loss) per share – basic – Class B	**0.45**	**0.16**	**0.54**	**(0.14)**

Fiscal 2001 (in thousands of dollars except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	$ 32,915	$ 32,457	$ 39,543	$ 29,443
Gross profit	11,343	11,729	15,085	10,873
Gross profit (% of sales)	34.5%	36.1%	38.1%	36.9%
EBITA (before unusual items)	3,169	2,706	6,311	2,135
Unusual items	–	–	(1,025)	–
Net earnings	1,024	588	2,165	276
Net earnings per share – basic – Class A	$ 0.22	$ 0.13	$ 0.47	$ 0.06
Net earnings per share – basic – Class B	0.19	0.11	0.42	0.05

Sales for the year ended March 31, 2002 rose by 3.5% to \$139.0 million from \$134.4 million in the prior year due primarily to increased sales of the Company's premium and ultra-premium wines to provincial liquor boards and through Vineyards/The Wine Shoppe, and improved sales performance in home winemaking. Sales of Peller Estates and Trius wines rose by approximately 6.4% and 8.8% respectively compared to last year, while Hillebrand Estates sales were essentially flat with the prior year. Sales of the Company's wine kits rose by 4.5% compared to fiscal 2001.

Gross profit for the 2002 fiscal year improved to 38.3% of sales compared to 36.5% of sales in fiscal 2001. The improvement is primarily due to the Company's emphasis on cost controls and production efficiencies, product rationalization initiatives and lower wine costs, as well as increased sales of the Company's higher-priced and higher-margin premium and ultra-premium brands. The Company generated an improvement in gross margin on a year-over-year comparison in each quarter of fiscal 2002.

Selling and administrative expenses increased to 27.0% of sales from 25.8% of sales in fiscal 2001 as the Company increased its sales and marketing expenditures at the Peller Estates Winery to capitalize on increased demand for Canadian-made premium VQA wines.

As a result of the increase in sales and improved profitability, earnings before interest, taxes, depreciation and amortization ("EBITA") and unusual items for the year ended March 31, 2002 increased 9.8% to \$15.7 million from \$14.3 million in fiscal 2001.

The decrease in amortization expenses in fiscal 2002 resulted from the adoption of the new accounting standard issued by the Canadian Institute of Chartered Accountants ("CICA") on goodwill and other intangible assets. As a result, goodwill and other intangible assets were not amortized in fiscal 2002. The impact of the change in the current year was to increase net earnings by \$0.4 million, or \$0.10 per Class A share and \$0.08 per Class B share. The adoption of this change was offset in part by higher amortization expense due to capital expansion in fiscal 2002 and fiscal 2001.

The decrease in interest expense in fiscal 2002 was due primarily to the reduction in bank indebtedness and slightly lower average interest rates compared with the prior year.

During fiscal 2002, the Company sold its remaining investment in a Quebec-based winery for a pre-tax gain on disposal of approximately \$1.9 million. During the fourth quarter, the Company completed the transfer of wine production from its Alberta facility to British Columbia, resulting in facility closing and other costs of approximately \$1.4 million. An excise tax reassessment on promotional wine from prior years resulted in a charge to earnings of approximately \$0.8 million. The aggregate of these one-time items resulted in a pre-tax charge to earnings during fiscal 2002 of \$0.3 million. In fiscal 2001, a one-time pre-tax charge to earnings of approximately \$1.0 million resulted from the settlement of a lawsuit related to the co-packing of flavoured water in 1993.

Net earnings for fiscal 2002 were \$5.3 million, or basic earnings of \$1.16 per Class A share and \$1.01 per Class B share, compared to \$4.1 million, or basic earnings of \$0.88 per Class A share and \$0.77 per Class B share in fiscal 2001. The weighted average number of shares outstanding in fiscal 2002 was 4.7 million, essentially unchanged from fiscal 2001.

Liquidity and Capital Resources

During the year, the Company generated $5.3 million in cash flow from operating activities, after changes in non-cash working capital items, compared to $9.7 million in fiscal 2001. The decrease was due to higher working capital requirements in fiscal 2002 resulting from the increased level of business activity compared to the prior year. In particular, inventories as at March 31, 2002 rose to $49.9 million compared to $47.3 million in the prior year to support anticipated growth in fiscal 2003.

The sale of the Company's remaining investment in its Quebec-based winery generated proceeds of $7.4 million in fiscal 2002. Investments of approximately $7.5 million were made in wine production equipment, the Peller Estates Winery, the development of vineyard properties, and technology to enhance productivity. Higher capital spending in fiscal 2001 was due to the investment of approximately $6.2 million in the Peller Estates Winery. Opened during the summer of 2001, the new winery located in Niagara-on-the-Lake has resulted in increased production capacity for its award-winning Peller Estates wines, while offering tours, fine dining and special events to cater to the increasing number of wine enthusiasts visiting the Niagara region. The balance of capital investments in fiscal 2001 was directed primarily at vineyard properties, production equipment and technology.

The decrease in bank indebtedness as at March 31, 2002 resulted primarily from the $7.4 million in cash generated by the sale of the Company's remaining interest in its Quebec-based winery. On completion of the Peller Estates Winery, the debt of $8.0 million previously borrowed under the Company's operating bank facility was refinanced as part of the Company's long-term debt facility. The long-term debt facility is scheduled to mature on April 30, 2003 and the Company is currently looking at various alternatives to refinance this debt on a longer-term basis.

Dividends paid during the year remained at $0.644 per Class A share and $0.560 per Class B share.

Working capital as of March 31, 2002 rose to $24.6 million from $14.8 million at the end of the prior year due primarily to the decrease in current bank indebtedness during the year, partially offset by higher inventory investment.

Shareholders' equity increased to $68.6 million or $14.45 per share as at March 31, 2002 compared to $66.1 million or $13.96 per share as at the end of fiscal 2001. As a result of the increase in long-term debt in fiscal 2002, the ratio of long-term debt to equity increased to 37% from 30% at the end of fiscal 2001.

Accounting Policy Changes

In December 2000, the CICA issued a new accounting recommendation for the presentation and disclosure of basic and diluted net earnings per share. The recommendation requires the use of the treasury stock method for calculating diluted earnings per share. Basic and diluted earnings per share are shown on the statement of earnings for both the current and prior years. The impact of adopting the new standard on earnings per share for fiscal 2002 and 2001 was not significant.

The Company has also adopted the new accounting standard issued by the CICA on goodwill and other intangible assets. Under the new standard, goodwill and other intangible assets with indefinite lives are no longer amortized, but are tested on adoption of the new standard and at least annually thereafter for impairment. The impact of this change for the year ended March 31, 2002 was to increase net income by $0.4 million, or $0.10 per Class A share and $0.08 per Class B share, over what the earnings per share would otherwise have been.

Strategic Outlook and Direction

The overall Canadian wine market continues to grow, although the share of the market held by domestic producers has declined moderately over the past few years. There has been an increase in imports of premium and ultra-premium wines into Canada as consumers favour higher-priced varietal wines over lower-priced table wines. Management believes its sales and marketing initiatives aimed at capitalizing on this growing trend toward premium and ultra-premium VQA wines, combined with its recent product rationalization, will benefit the Company over the long term. The Company is also well positioned in the popular and consumer-made segments of the Canadian wine market.

Andrés will continue to invest in the premium and ultra-premium wine market with the launch of new Peller Estates, Hillebrand Estates and Trius wines in fiscal 2003. Marketing and sales support will be focused on key brands sold across the country and increased capital expenditures that support the Company's ongoing commitment to producing the highest-quality wines. The Company believes that the investments made over the past few years will result in increased sales and continuing improvements in profitability going forward.

The Company remains focused on improving production efficiencies and maintaining tight control over operational and administrative spending. Management believes that product margins should continue to increase as a result of these initiatives.

The Company will also continue to evaluate investment opportunities, including acquisitions, which support its strategic direction.

Risks and Uncertainties

The sale of wine is affected by current economic conditions and accordingly any changes in the economy could affect sales of the Company.

The Canadian wine market, and specifically the large Ontario market, continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing to a much larger extent than Canada. In addition, many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify the unfair trade balance that exists within the domestic Canadian wine market.

The Company purchases glass and other components used in the bottling and packaging of wine. There is currently only one commercial supplier of glass in Canada and any interruption in supply could have an impact on the Company's ability to supply the market. Andrés has taken steps to reduce its dependence on this supplier through the development of relationships with international producers of glass and through increased inventories of selected bottles.

Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. The provincial government has stated that, should it further consider privatization, it would engage in a consultation process and acknowledge the special role of Ontario's wine industry.

The Company relies on both the domestic production of grapes and importation of wine from countries around the world to produce and sell its wines. Although the supply of grapes and wine may be impacted by weather conditions and by general economic conditions, the Company has developed plans to ensure that an adequate supply of wine is available to meet demand.

Certain statements in this discussion could be considered forward-looking information. This information is subject to risks and uncertainties, some of which are outlined above, which could cause actual results to differ materially from comments in this Management's Discussion and Analysis.

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors. Management is responsible for the integrity of the information contained in the financial statements and other sections of this annual report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

To assist management in discharging its responsibilities, the Company maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate and timely financial information is prepared.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Board exercises these responsibilities primarily through the Audit, Finance and Risk Committee (the "Committee"). The Committee meets periodically with management and the Company's auditors to ensure that its responsibilities are properly discharged. The Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to shareholders.

PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders as the Company's auditors, have audited and expressed their opinion on the accompanying consolidated financial statements of the Company.

John E. Peller
PRESIDENT AND CEO

Peter B. Patchet
EXECUTIVE VICE-PRESIDENT
FINANCE AND ADMINISTRATION

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of Andrés Wines Ltd. as at March 31, 2002 and 2001 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
Hamilton, Ontario
May 30, 2002

Consolidated Statements of Earnings and Retained Earnings

For the years ended March 31 (in thousands of dollars, except per share amounts)	2002	2001
Sales	$ 139,008	$ 134,358
Cost of goods sold	85,829	85,328
Gross profit	53,179	49,030
Selling and administration	37,481	34,709
Earnings before interest and amortization	15,698	14,321
Interest	2,268	2,208
Amortization	4,025	4,153
Earnings before unusual items	9,405	7,960
Unusual items (note 10)	(261)	(1,025)
Earnings before income taxes	9,144	6,935
Provision for (recovery of) income taxes (note 6)		
Current	2,880	3,336
Future	939	(454)
	3,819	2,882
Net earnings for the year	5,325	4,053
Retained earnings – beginning of year	61,694	60,607
Dividends		
Class A and Class B shares	2,967	2,966
Retained earnings – end of year	$ 64,052	$ 61,694
Net earnings per share (note 8)		
Basic		
Class A shares	$ 1.16	$ 0.88
Class B shares	1.01	0.77
Diluted		
Class A shares	$ 1.15	$ 0.88
Class B shares	1.01	0.77

Consolidated Balance Sheets

As at March 31 (in thousands of dollars)	2002	2001
Assets		
Current assets		
Accounts receivable (note 5)	$ 11,497	$ 11,603
Inventories (notes 2 and 5)	49,893	47,286
Prepaid expenses	942	1,080
	62,332	59,969
Property, plant and equipment (notes 3 and 5)	49,644	46,189
Goodwill (note 4)	21,324	21,324
Investment (note 10)	–	5,485
	$ 133,300	$ 132,967
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	$ 19,861	$ 27,511
Accounts payable and accrued liabilities	11,328	13,151
Dividends payable	743	742
Income and other taxes payable	2,434	1,427
Current portion of long-term debt (note 5)	3,344	2,388
	37,710	45,219
Long-term debt (note 5)	21,913	17,456
Future income taxes (note 6)	5,117	4,178
	64,740	66,853
Shareholders' equity		
Capital stock (note 7)	4,508	4,420
Retained earnings	64,052	61,694
	68,560	66,114
	$ 133,300	$ 132,967

Approved by the Board of Directors

John E. Peller
DIRECTOR

Mark W. Cosens
DIRECTOR

Consolidated Statements of Cash Flows

For the years ended March 31 (in thousands of dollars)	2002	2001
Cash provided by (used in)		
Operating activities		
Net earnings for the year	**$ 5,325**	$ 4,053
Items not affecting cash		
Gain on sale of investment (note 10)	**(1,905)**	–
Loss (gain) on disposal of property and equipment	**61**	(2)
Amortization	**4,025**	4,153
Future income taxes	**939**	(454)
	8,445	7,750
Changes in non-cash working capital items related to operations (note 11)	**(3,179)**	1,948
	5,266	9,698
Investing activities		
Cash proceeds from sale of investment (note 10)	**7,390**	–
Proceeds from disposal of property and equipment	**–**	8
Purchase of property and equipment	**(7,541)**	(11,912)
	(151)	(11,904)
Financing activities		
Issue of Class A shares (note 7)	**88**	–
Increase (repayment) of bank indebtedness	**(7,650)**	6,487
Increase (repayment) of long-term debt	**5,413**	(1,316)
Dividends paid	**(2,966)**	(2,965)
	(5,115)	2,206
Increase in cash during the year	**–**	–
Cash – beginning of year	**–**	–
Cash – end of year	**$ –**	$ –
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	**$ 2,459**	$ 2,931
Income taxes	**2,216**	4,831

Notes to Consolidated Financial Statements

For the years ended March 31, 2002 and 2001
(in thousands of dollars)

1. ACCOUNTING POLICIES

(A) Basis of consolidation These financial statements include the accounts of the Company and all subsidiary companies. The purchase method has been used to account for all acquisitions. The assets and liabilities of subsidiary companies acquired are included at their fair value on acquisition.

(B) Inventories Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average cost basis.

(C) Property, plant and equipment Property, plant and equipment are carried at cost less accumulated amortization. Amortization of plant and equipment is calculated on the straight-line basis in amounts sufficient to amortize the cost of plant and equipment over their estimated useful lives as follows:

Buildings	2.5% per year
Vineyards	5% per year
Machinery and equipment	7.5% to 20% per year

Costs of planting new vines and a portion of ongoing cultivation costs for vines which are not yet fully bearing, including interest, are capitalized. Amortization commences in the initial year the vineyard first yields a crop.

(D) Goodwill Goodwill represents the cost of investments in subsidiaries in excess of the fair value of the net identifiable assets acquired. Effective April 1, 2001, the Company adopted the new CICA accounting standard dealing with goodwill and other intangible assets. Under the new standard, which has been applied prospectively, goodwill and other intangible assets with indefinite lives are no longer amortized, but are tested for impairment on adoption of the standard and at least annually thereafter. The effect of this change in the current year is to increase net earnings by $447, which resulted in an increase of basic and diluted earnings per share of $0.10 per Class A share and $0.08 per Class B share.

The after-tax effect of this change on fiscal 2001 comparatives had the change been adopted retroactively is as follows:

Net earnings as reported	$ 4,053
After-tax amortization adjustment	447
Adjusted net earnings	$ 4,500

	Class A		Class B	
	Basic	Diluted	Basic	Diluted
Net earnings per share as reported	$ 0.88	$ 0.88	$ 0.77	$ 0.77
After-tax amortization adjustments	0.10	0.10	0.08	0.08
Adjusted basic and diluted net earnings per share	$ 0.98	$ 0.98	$ 0.85	$ 0.85

Goodwill arising on business acquisitions made prior to April 1, 2001 was previously amortized on a straight-line basis, principally over 40 years.

(E) Net earnings per share Basic net earnings per share has been calculated using the weighted average number of Class A and Class B shares outstanding during the year.

The Company adopted, on a retroactive basis, the provisions of the new CICA accounting standard, Earnings Per Share ("EPS"), which requires the use of the treasury stock method for calculating diluted EPS. The Company has also restated the comparative EPS amounts to comply with the new standard. The impact of adopting the new standard on the current and prior year EPS amounts was not significant. Basic and diluted EPS have been shown on the statement of earnings for both the current and prior period (see also note 8).

(F) Segmented information The Company and its subsidiary companies operate in a single segment, that being the production and marketing of wine products, and service one geographic segment, that being Canada. A significant portion of the Company's sales are made to the liquor control boards in each province in which the Company transacts business.

(G) Measurement uncertainty The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(H) Fair value of financial instruments Accounts receivable, accounts payable and accrued liabilities and short-term bank indebtedness are reflected in these consolidated financial statements at carrying values which approximate fair values because of the short-term maturities of these instruments.

Long-term debt bears interest at current market rates of interest, and as a result its carrying value approximates its fair value. Information on the Company's hedge instruments is disclosed in note 9.

(I) Income taxes The Company follows the liability method of accounting for income taxes based on temporary differences. Future income taxes are provided for all temporary differences between the financial reporting and tax bases of assets and liabilities. Future income tax expense represents the change during the period in future income tax assets and future income tax liabilities.

(J) Investment The investment in Maison des Futailles, LP was accounted for by the cost method.

(K) Stock-based compensation plans The Company has a stock-based compensation plan for executives and directors, which became effective on February 11, 1987 and was amended effective June 5, 1996. This plan is described in note 7. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

2. INVENTORIES

	2002	2001
Packaging materials and supplies	$ 6,850	$ 5,458
Bulk wine	29,169	26,820
Finished goods	13,874	15,008
	$ 49,893	$ 47,286

3. PROPERTY, PLANT AND EQUIPMENT

			2002			2001
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Land	$ 2,238	$ –	$ 2,238	$ 2,238	$ –	$ 2,238
Vineyards	8,694	456	8,238	8,114	145	7,969
Buildings	26,800	5,969	20,831	15,867	5,413	10,454
Machinery and equipment	45,158	26,821	18,337	41,729	24,278	17,451
Construction in progress	–	–	–	8,077	–	8,077
	$ 82,890	$ 33,246	$ 49,644	$ 76,025	$ 29,836	$ 46,189

During 2002, interest capitalized associated with vineyards and the Peller Estates Winery under construction amounted to $273 (2001 – $638).

Included in property, plant and equipment is $452 of assets held for sale.

4. GOODWILL Goodwill is stated at original cost less accumulated amortization of $3,676 recorded prior to fiscal 2002.

5. BANK INDEBTEDNESS AND LONG-TERM DEBT

	2002	2001
Term bank loan A	$ 16,811	$ 19,053
Term bank loan B	7,800	–
Other debt	646	791
	25,257	19,844
Less: current portion	3,344	2,388
	$ 21,913	$ 17,456

The Company has established three separate credit facilities with the Royal Bank of Canada as follows:

A demand loan facility with a borrowing limit of $38,000 (2001 – $38,000), which incurs interest at the Royal Bank of Canada prime rate. As at March 31, 2002, the unused portion of this facility was $18,139 (2001 – $10,489).

Term bank loan A incurs interest at 6.235%, requires blended monthly payments of principal and interest in the amount of $281 and is due April 30, 2003.

Term bank loan B presently incurs interest at the floating 90-day Royal Bank Bankers' Acceptance (BA) rate plus 2.25%, requires quarterly principal payments of $200 and is due January 31, 2004.

The Company and its subsidiary companies have provided a first charge on accounts receivable and inventories and a fixed and floating charge on property, plant and equipment as security for its loan facilities.

Interest on long-term debt during the year was $1,250 (2001 – $1,327).

Annual principal repayments for the years ending March 31 are as follows:

2003	$ 3,344
2004	21,595
2005	318
	$ 25,257

6. INCOME TAXES The significant temporary differences giving rise to the future income tax liability are comprised of the following:

	2002	2001
Property, plant and equipment	$ 4,475	$ 3,969
Goodwill	1,189	781
Investment	–	(482)
Other	(547)	(90)
	$ 5,117	$ 4,178

The Company's income tax expense consists of the following:

	2002	2001
Provision for income taxes at blended statutory rate of 39.38% (2001 – 40.75%)	$ 3,601	$ 2,826
Permanent differences and non-deductible items	392	364
Large corporations tax	165	102
Other	(339)	(410)
	$ 3,819	$ 2,882

7. CAPITAL STOCK

	Authorized	Issued 2002		Issued 2001	
		Shares	Amounts	Shares	Amounts
Class A shares, non-voting	unlimited	3,740,832	$ 4,107	3,732,082	$ 4,018
Class B shares, voting	unlimited	1,002,972	401	1,004,972	402
		4,743,804	$ 4,508	4,737,054	$ 4,420

Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis. During 2002, 2,000 Class B shares were converted into Class A shares (2001 – 5,472).

Stock option plan The Company has a stock option and stock appreciation rights plan for executives and directors. All options under this plan are for Class A shares only and are for a term of five years from the date of the grant. They become exercisable with respect to 25% of the total number of shares subject to the option immediately and 25% on each of the three successive anniversaries of the date of the grant. Options are subject to certain conditions of service. The following options are outstanding as at March 31:

		Number of shares subject to option	
Exercise price per share	Option expiry date	2002	2001
$ 11.25	June 5, 2001	–	24,350
$ 13.50	October 30, 2001	–	11,550
$ 13.00	February 5, 2002	–	89,100
$ 13.00	June 11, 2004	114,375	128,000
$ 12.50	June 6, 2006	100,000	–
		214,375	253,000

During 2002, 100,000 options to purchase Class A shares were issued (2001 – nil), 6,750 options were exercised for proceeds of $88 (2001 – nil) and 34,475 options expired (2001 – nil). During 2002, there were 97,400 stock appreciation rights exercised (2001 – nil). The costs associated with the exercise of the rights of $197 were expensed in 2002 (2001 – nil). As at March 31, 2002, 108,250 (2001 – 189,000) options are currently exercisable under terms of the stock option plan.

8. NET EARNINGS PER SHARE The following is a reconciliation of the weighted average number of shares outstanding for basic and diluted earnings per share computations:

	2002		2001	
Net earnings		**$ 5,325**		$ 4,053
	Class A	Class B	Class A	Class B
Weighted average number of shares outstanding	**3,734,335**	**1,003,810**	3,730,859	1,000,195
Dilutive effect of options	**15,185**	**–**	876	–
Weighted average number of shares outstanding – diluted	**3,749,520**	**1,003,810**	3,731,735	1,000,195
Net earnings per share				
Basic	**$ 1.16**	**$ 1.01**	$ 0.88	$ 0.77
Diluted	**1.15**	**1.01**	0.88	0.77

The dilutive effect of outstanding stock options on net earnings per share is based on the application of the treasury stock method. Under this method, the Company assumes that the proceeds from the potential exercise of such stock options are used to purchase Class A non-voting shares.

9. COMMITMENTS AND CONTINGENCIES Future minimum lease payments as at March 31, 2002 under long-term non-cancellable leases are as follows:

2003	$ 2,239
2004	1,196
2005	399
2006	108
2007	18
	$ 3,960

The Company has guaranteed debt of $750 for an associated company.

At March 31, 2002, the Company held $10,000 in US dollar foreign exchange forward contracts at an average rate of $1.5761 expiring at various dates to January 2003. These contracts are designated as a hedge against future inventory purchases. Resulting gains and losses from the use of these instruments are recorded upon maturity of the transaction. At March 31, 2002, the unrecognized gain on these contracts is $173.

10. UNUSUAL ITEMS Unusual items comprise the following:

	2002	2001
Gain on sale of investment	$ 1,905	$ –
Closure costs related to Alberta winery facility	(1,429)	–
Excise tax reassessment related to prior years	(737)	–
Settlement of lawsuit	–	(1,025)
	$ (261)	$ (1,025)

During fiscal 2002, the Company sold its investment in a Quebec winery, Maison des Futailles, for gross proceeds of $7,390. The sale resulted in a pre-tax gain of $1,905 (after-tax – $1,255).

During the year, the Company closed its Alberta winery facility and transferred production to its winery operation in British Columbia. The resulting closure and other restructuring costs amounted to $1,429 before tax (after-tax – $829).

During the year, the Company received an excise tax reassessment related to prior years which resulted in an expense of $737 (after-tax – $427).

During fiscal 2001, the Company reached a settlement of a lawsuit launched by Canadian Pure Beverage Distributing Inc. relating to co-packaging of flavoured water by the Company. The settlement, including legal costs, amounted to $1,025 before tax (after-tax – $574).

11. NON-CASH WORKING CAPITAL ITEMS The change in non-cash working capital items related to operations is comprised of the change in the following items:

	2002	2001
Accounts receivable	$ 106	$ 465
Inventories	(2,607)	776
Prepaid expenses	138	(223)
Accounts payable and accrued liabilities	(1,823)	2,594
Income and other taxes payable	1,007	(1,664)
	$ (3,179)	$ 1,948

Ten-year Summary

(thousands except per share amounts)	**2002**	2001	2000	1999	1998	1997	1996	1995	1994	1993
Sales and earnings										
Net sales	**$139,008**	$134,358	$133,638[2]	$135,446	$118,668	$ 98,139	$ 79,486	$ 70,601	$ 55,835	$ 56,360
Earnings before interest, income taxes and unusual items	**11,673**	10,168	12,729	13,706	13,377	11,660	9,648	7,735	6,797	7,652
Net earnings	**5,325**	4,053[4]	11,311[3]	5,653	6,732	6,507	5,420	4,166	4,048	4,426
Financial position										
Working capital	**$ 24,622**	$ 14,750	$ 23,467	$ 23,115	$ 24,512	$ 19,245	$ 24,638	$ 21,676	$ 31,863	$ 41,148
Total assets	**133,300**	132,967	126,232	128,063	126,085	74,770	57,056	54,486	49,930	57,208
Shareholders' equity	**68,560**	66,114	65,027[3]	56,265	53,504	49,204	45,404	42,415	40,990	48,981
Per share										
Net earnings										
Basic	**$ 1.16[5]**	$ 0.86[4]	$ 2.39[3]	$ 1.20	$ 1.44	$ 1.40	$ 1.17	$ 0.90	$ 0.88	$ 0.99
Diluted	**1.15[5]**	0.84[4]	2.29	1.18	1.40	1.38	1.17	0.89	0.87	0.96
Dividends[1]										
Class A shares, non-voting	**$ 0.644**	$ 0.644	$ 0.644	$ 0.644	$ 0.644	$ 0.598	$ 0.598	$ 0.598	$ 2.898	$ 0.598
Class B shares, voting	**0.560**	0.560	0.560	0.560	0.560	0.520	0.520	0.520	2.520	0.520
Number of shares outstanding										
Class A shares, non-voting	**3,740,832**	3,732,082	3,726,610	3,687,510	3,683,210	3,646,060	3,645,060	3,602,160	3,564,960	3,461,960
Class B shares, voting	**1,002,972**	1,004,972	1,010,444	1,012,444	1,012,444	1,013,344	1,041,344	1,027,244	1,028,444	1,029,944
	4,743,804	4,737,054	4,737,054	4,699,954	4,695,654	4,659,404	4,686,404	4,629,404	4,593,404	4,491,904
Other information										
Return on average shareholders' equity	**7.9%**	7.0%	10.5%	10.3%	13.1%	13.8%	12.3%	10.0%	9.0%	9.3%
Return on average capital employed	**10.3%**	9.2%	11.8%	12.5%	16.0%	22.3%	20.7%	17.4%	14.7%	15.5%

(1) Dividends for the year ended March 31, 1994 reflect a special dividend of $2.30 per Class A share and $2.00 per Class B share.

(2) Includes two months' net sales of Quebec operations, sold May 31, 1999.

(3) Includes the after-tax gain of $5.2 million from sale of the Quebec winery.

(4) Includes the pre-tax loss of $1.025 million on the settlement of a lawsuit for the co-packing of flavoured water in 1993.

(5) Net earnings per share for the year ended March 31, 2002 are for the Class A shares.

Shareholder Information

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KILBRIDE CAPITAL

Lori C. Covert
Halifax, Nova Scotia
CHIEF EXECUTIVE OFFICER
VANTAGE COMMUNICATIONS INC.

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Toronto, Ontario
CORPORATE DIRECTOR

Graham R. Dawson
Vancouver, British Columbia
PRESIDENT
G.R. DAWSON HOLDINGS LIMITED

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CHIEF EXECUTIVE OFFICER
ANDRÉS WINES LTD.

William J. Walsh, M.D.
Hamilton, Ontario
EMERITUS PROFESSOR OF MEDICINE
McMASTER UNIVERSITY

HONORARY DIRECTORS

Carlisle Norwood
Mahone Bay, Nova Scotia

Ralph M. Logan
Halifax, Nova Scotia

STOCK EXCHANGE

Toronto
Symbols: ADW.A, ADW.B

REGISTRAR AND TRANSFER AGENT

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100 University Avenue, 9th Floor
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AUDITORS

PricewaterhouseCoopers LLP

BANKER

Royal Bank of Canada

SHAREHOLDER INQUIRIES

Computershare Trust Company of Canada operates a telephone information line for inquiries regarding change of address, stock transfer, registered shareholdings, dividends and lost certificates, which can be reached at: 514-982-7270
toll-free: 1-800-564-6253
fax: 416-263-9394
toll-free fax: 1-888-453-0330
caregistryinfo@computershare.com

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For additional information regarding the Company's activities, please contact:
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FINANCE AND ADMINISTRATION
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Peter B. Patchet
EXECUTIVE VICE-PRESIDENT FINANCE
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Mario A. Rodi
VICE-PRESIDENT AND GENERAL MANAGER
BREW KING LIMITED

John K. Simmonds
VICE-PRESIDENT RETAIL OPERATIONS AND
EXECUTIVE DIRECTOR VINEYARDS/THE WINE SHOPPE

Robert P. Van Wely
PRESIDENT BREW KING LIMITED AND
VINECO INTERNATIONAL PRODUCTS LTD.

J. Christopher Zarafonitis
VICE PRESIDENT SALES

2002 ANNUAL SHAREHOLDERS MEETING

The 2002 Annual Meeting of Shareholders will be held at
Peller Estates Winery
290 John Street East
Niagara-on-the-Lake, Ontario
on Thursday, September 12, 2002
at 3:00 p.m.

DESIGN: Atlanta Inc. PHOTOGRAPHY: Eden Robbins TYPESETTING AND COLOUR SEPARATIONS: Moveable Inc. PRINTING: Howell Printing Company Limited

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55 Mountain Rd.
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(opening September 2002)

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